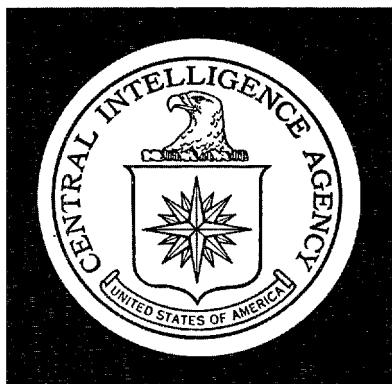


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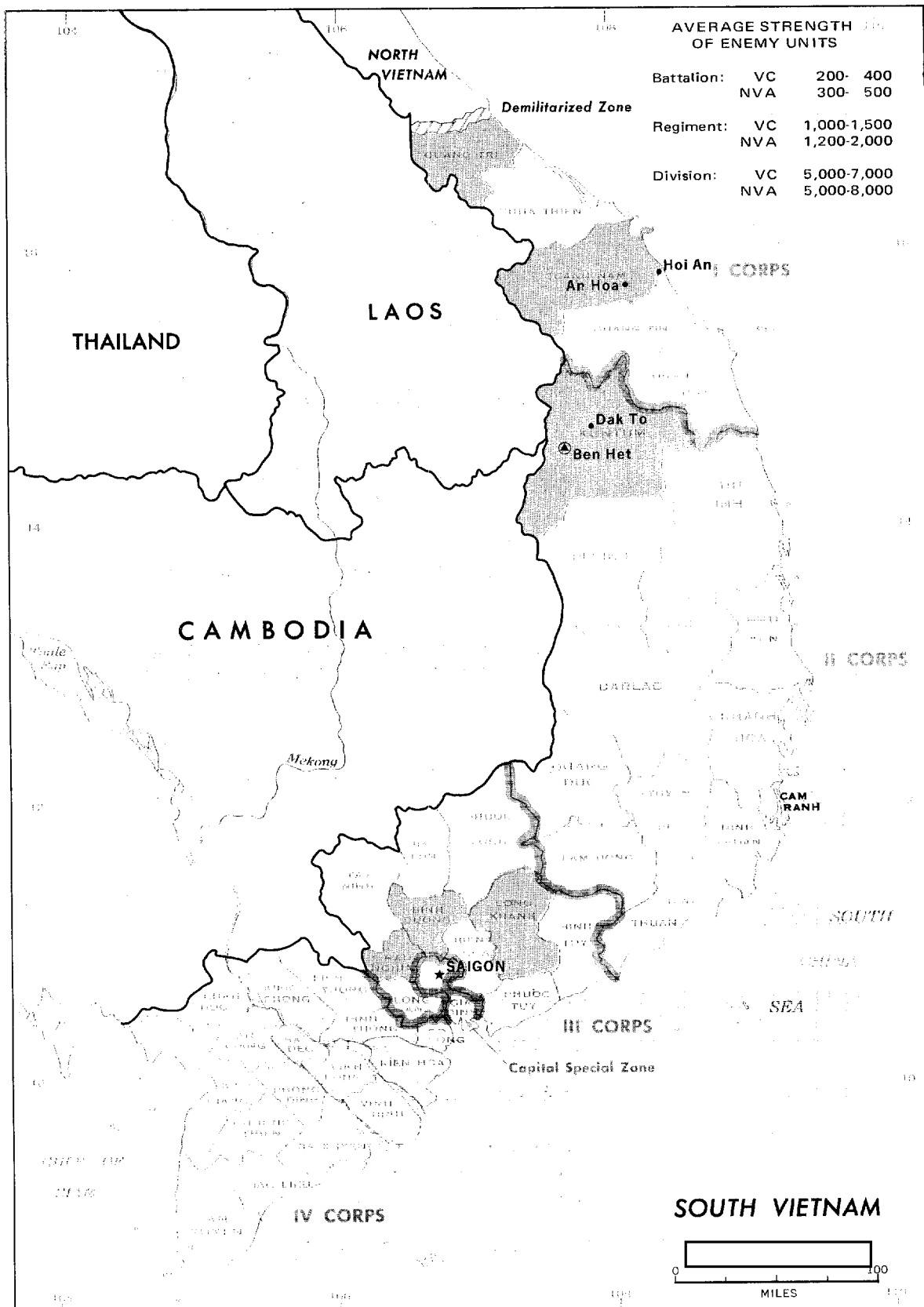
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[Vietnam: The Communists are maintaining some military pressure throughout much of South Vietnam and apparently intend to keep it up for the next few weeks.

Preliminary reports indicate that on 11-12 May Communist gunners shelled over 40 allied installations throughout South Vietnam. Damage and casualties reportedly were light, although at the Quang Tri Province airfield six US aircraft were damaged.

Terrorism, aimed at disrupting public utilities and police services, is on the upswing in Saigon as well as in other parts of the country, where large numbers of people are being injured by indiscriminate attacks on civilian gathering places.

In addition, enemy main force units are on the offensive in the western highlands, where they shelled or attacked six allied positions on 10-11 May. The Communists' attention seems to be focused on the Ben Het and Dak To areas in Kontum Province.

In the important III Corps area on 10 May, the Communists partially overran a Vietnamese Army position some 15 miles from the provincial capital of Long Khanh. In Binh Duong and Hau Nghia provinces, enemy units offered stiff resistance to allied sweeps on 10-11 May.

Allied forces also made heavy contact with Communist units in the coastal areas of Quang Nam Province. US Marines are still engaged in a battle that has raged for two days, and Vietnamese Army units are skirmishing with the enemy southeast of Hoi An and north of An Hoa.

This enemy-initiated activity does not seem to indicate any imminent country-wide offensive, but it does lend further credence to the possibility of intensified military activity in several parts of the country. [redacted] (Map)]

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East Germany: Party boss Ulbricht's recent demand that West Germany grant full diplomatic recognition to East Germany probably foreshadows further pressure against Bonn on this issue.

Ulbricht's remarks--made on 30 April at a party central committee meeting but not published until 8 May--once again went beyond the usual East German position that Bonn must "normalize" relations with Pankow. His comments appear to lend credence to remarks made earlier this month by a high East German party functionary concerning Erich Honecker's speech of 29 April.

Honecker, the number-two man in the party, implicitly insisted that Bonn must recognize East Germany as a sovereign state. The party functionary termed this a "most significant pronouncement" and said that it represented a "new" and "official" policy. He further stated that Pankow had decided to seek de jure recognition from West Germany, and that East Germany intends to cut its few existing ties "except trade" with West Germany and West Berlin, presumably to put pressure on Bonn.

It is not completely clear why Pankow apparently decided to shift its tactics toward West Germany. The East Germans may believe that the recent decisions of Iraq and Cambodia to recognize Pankow have strengthened their hand. They may also be attempting to stake out firm areas of "sovereignty" that would not be subject to negotiation in any future European security conference.

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Nigeria: Federal leader Gowon has reshuffled his military command in an effort to get federal forces back on the offensive.

Gowon has replaced the quartermaster general and two of the three division commanders. More changes, possibly including the removal of the corrupt military governor of the predominantly Yoruba Western State, may be in the offing.

There appears to be no significant military opposition to the changes made thus far. Gowon has paid due regard to tribal sensitivities in replacing these officers, who have all been given other assignments.

This reshuffle is evidently designed to improve the present generally poor offensive capability of the three federal divisions. The 1st Division, which captured Umuahia last month, has been bogged down there ever since and faces a serious supply problem. The other two federal divisions have been on the defensive for months, and one of them has been slowly losing ground to the Biafrans on the southern front.

Despite the reshuffle, which seems directed at the most corrupt and incompetent officers, it appears unlikely that federal forces will be in a position to mount a successful offensive for some time.



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USSR: For the first time, a Soviet economist has admitted that military priorities were largely responsible for the large lags in deliveries of investment goods to agriculture during 1966-68.

Writing in the Ministry of Finance's chief journal, the author says that "the worsening of the international situation has prevented the appropriations of funds which were earmarked for capital investments in agriculture." Moreover, he does not foresee much improvement this year. "Although the actual 1969 appropriations exceed those of 1968, they by no means approximate the amounts stipulated for agricultural development in 1966-70."

The program to increase the flow of resources to agriculture during 1966-70 is far behind schedule. Although total agricultural investment during this period was scheduled to amount to 71 billion rubles, or more than 14 billion rubles a year, total farm investment during 1966-68 actually averaged only 10.2 billion rubles annually. The shortfall was particularly pronounced for deliveries of new machinery and equipment to the countryside. During 1966-68, such deliveries grew by only one quarter the rate planned for the full period.

At the party plenum on agriculture last October, General Secretary Brezhnev criticized "elements of the planning and economic apparatus for overcoming difficulties...by using funds earmarked for agriculture." Brezhnev may have been yielding to pressure from politburo member Polyansky, the leadership's most outspoken champion of agricultural interests. Allocations of machinery and materials to agriculture have not been raised, however. Instead, Moscow has repeated the time-worn tactic of calling for the "mobilization of reserves."

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South Korea: [Close supporters of President Pak have intensified pressures to ensure the adoption of a constitutional amendment that would allow him to seek a third term in 1971.]

[The unprecedented censure of a cabinet minister by the National Assembly last month provided these elements with an opportunity to win the President's approval for more vigorous action to beat down opposition within the ruling party. Taking advantage of Pak's anger over the assembly's rebuff, engineered by anti - third term assemblymen of Pak's own party, the chief of the government's security apparatus has ordered an investigation to uncover information that can be used to intimidate or purge the recalcitrants. The security chief and several other top officials whose political futures are closely tied to Pak want to push through an amendment as early as possible in order to allow maximum time to prepare for the elections in 1971.]

[In the present climate, the anti - third term group would seem to have little room for maneuver. Its preferred candidate is Kim Chong-pil, an erstwhile chairman of the party and political ally of Pak. Because Kim lacks the political support--and apparently the will--to challenge Pak openly, he had been tacitly encouraging the opponents of constitutional change.]

[When the full extent of Pak's anger over the censure motion became apparent, Kim returned from temporary exile in Japan in what appears to have been an effort to protect his own position. He dutifully called on his "old colleagues and fellow countrymen" to give their absolute support to Pak. Kim avoided a clear endorsement of the constitutional amendment, however, and appears to be marking time as he reconsiders his tactics.]

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[Outside the regime, opposition to changing the constitution has not crystallized, although it is probably extensive. The military probably is overwhelmingly loyal to Pak, but scattered signs of dissatisfaction within the officer corps could become focused on the amendment issue.]

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Malaysia: The sharply reduced majority of the government's triparty Alliance as a result of the election on 10 May indicates rising dissatisfaction in both the Chinese and Malay communities.

The Alliance, composed of Malay, Chinese, and Indian parties, lost a total of 24 seats in West Malaysia, with the Chinese group suffering the heaviest losses. The Malay party--the major component--also suffered setbacks. The small Indian party lost one seat. Returns from the two east Malaysian states are not available, but the Alliance will do well in Sabah, where it has already won 11 seats by default. This assures it an overall majority in the 144-seat parliament.

Four small opposition parties increased their representation. The greatest gains were registered by the Democratic Action Party, an energetic, largely Chinese organization that models itself on the People's Action Party in Singapore. Other winners were Gerakan, a multiracial but chiefly non-Malay party that espouses a moderate socialist line, the Malay extremist Pan Malaysian Islamic Party, and the Chinese People's Progressive Party.

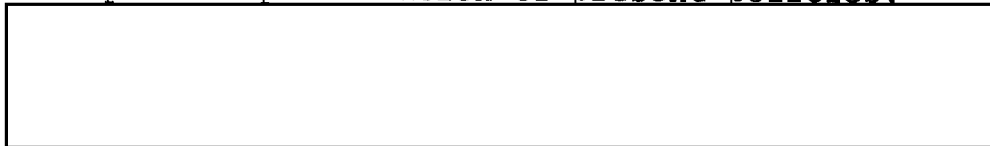
During its 11-year rule, the Alliance has made a largely successful effort to balance communal interests, to push economic development, and to forge a national identity that has a strong Malay flavor. Although the government has improved educational and economic opportunities for the Malays, the latter still regard themselves as disadvantaged compared with the more progressive and hard-driving Chinese. The Chinese, on the other hand, resent the government's preferential treatment of the Malays and the imposition of a Malay cultural and political hegemony.

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Relations between Malays and Chinese, although for the most part superficially calm, have actually deteriorated, and there are growing indications that communal feelings are stronger among the younger generation than among their elders.

A continued rise in ethnic tensions is likely over the long run. For the time being, however, prosperity blunts the sharp edges of communalism. The Alliance may be shocked by its losses into an effort to develop new approaches to Malaysia's divided society, but is more likely merely to attempt to improve implementation of present policies.



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Western Europe: EURATOM members may shortly establish a working group to discuss technical guidelines for negotiating the agreement that will govern EURATOM countries' compliance with a key provision of the Non-Proliferation Treaty (NPT).

Under the NPT, the International Atomic Energy Agency (IAEA) is to verify that treaty adherents do not divert nuclear materials from intended peaceful purposes to weapons programs. Because EURATOM has jurisdiction over safeguards on the territory of its members, however, an agreement on the respective roles of IAEA and EURATOM is required.

Until recently, France and the Netherlands held up internal EURATOM discussions on these issues. The Dutch position was linked to its desire to deny the Germans any additional information that could be used to fuel further delaying tactics. The Hague believed the NPT's opponents in Bonn might exploit such issues as whether, and to what extent, IAEA inspectors should be admitted to EURATOM territory. The French believed that little could be gained from internal talks until Bonn took a decision on the NPT.

The Hague is now willing to participate in internal EURATOM talks limited to "technical questions linked to verification." France will attend but will not participate. Both apparently hope that by trying to solve some technical problems like the frequency of inspections, while avoiding "political" tinderboxes like the role of IAEA inspectors, the efforts of West German NPT supporters will be aided. They still insist, however, that a West German signature is a precondition to beginning EURATOM-IAEA negotiations.

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Cyprus: Differences over the degree of local autonomy to be granted to the Turkish Cypriot community are blocking movement in the intercommunal talks. These substantive problems and Ankara's reluctance to risk injecting the Cyprus dispute into the political campaign prior to Turkish general elections next fall suggest that there will be little movement toward a settlement before the elections are held. Although presently tempers on the island are calm, the deadlock in the discussions increases the dangers to continued peace should there be provocative acts by hotheads in either community. [REDACTED]

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Turkey: Attacks by rightist militants on leftists may open the way for a government campaign against all extremists. Rightist "commandos" recently ransacked the offices of a leftist club in Istanbul. These commandos were acting for the ultraconservative National Movement Party, headed by retired Colonel Alpaslan Turkes. Their actions invite reprisals from the leftists and further add to political unrest. [REDACTED]

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